

Service Date: December 27, 1988

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER Of The Application)	
Of PACIFICORP For (1) Authority)	UTILITY DIVISION
To Issue and Sell Not More Than)	DOCKET NO. 88.11.54
\$450,000,000 of Debt, (2) Authority))	DEFAULT ORDER No. 5385
To Enter Into A Credit Support)	
Arrangement, and (3) Authority To)	
Enter Into Currency Exchanges.)	
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On November 30, 1988, PacifiCorp dba Pacific Power & Light Company (Pacific), a corporation organized and existing under and by virtue of the laws of the State of Maine and qualified to transact business in Montana, filed with the Montana Public Service Commission its verified application, pursuant to Sections 69-3-501 through 69-3-507, MCA, requesting an order authorizing Pacific, or its successor, PC/UP&L Merging Corp. (Merging Corp.), (1) to issue and sell, in one or more public offerings or private placements, prior to December 31, 1990, fixed or floating rate debt (Debt) in the aggregate principal amount of not more than \$450,000,000 or, if the Debt is issued at an original issue discount, such greater amount as shall result in an aggregate offering price of not more than \$450,000,000 (or its equivalent amount in, or based upon, foreign currencies determined at the time of issue), (2) to enter into a letter of credit arrangement with one or more banks or such other agreements or arrangements as may be necessary or appropriate to provide additional credit support for the payment of the principal

of, the interest on, and the premium(if any) on the Debt, and (3) to enter into one or more currency exchanges.

The application is supported by exhibits and data in accordance with the rules and regulations of the Commission governing the authorization of the issuance of securities by electric and gas utility companies operating within Montana.

For detailed information with respect to the general character of Pacific's business and the territories served by it, reference is made to its annual reports on file with the Commission. References herein to the "Company" are to Pacific prior to the proposed merger of Pacific and Utah Power & Light Company with and into Merging Corp. (Merger) and to Merging Corp. after the Merger, as the context requires.

The application sets forth Counsel who will pass on the legality of the proposed issuance, the other regulatory authorizations required, and the propriety of the proposed issue.

At a regular open session of the Montana Public Service Commission held in its offices at 2701 Prospect Avenue, Helena, Montana, on December 12, 1988, there came before the Commission for final action the matters and things in Docket No. 88.11.54, and the Commission, having fully considered the application and all the data and records pertaining to it on file with the Commission and being fully advised in the premises, makes the following:

FINDINGS OF FACT

1. Pacific is a corporation organized and existing under and by virtue of the laws of the State of Maine and is qualified to transact business in the State of Montana.

2. Pacific is operating as a public utility as defined in Section 69-3-101, MCA, and is engaged in furnishing electric service in Montana.

3. Pursuant to a Plan of Reorganization and Merger, as amended, entered into among Pacific, Utah Power & Light Company, a Utah Corporation (UP&L), and Merging Corp., Pacific and UP&L would merge with and into Merging Corp. At the time of the merger, Merging Corp. will change its name to PacifiCorp and will use the assumed business name of Pacific Power & Light Company for its electric utility operations in the State of Montana.

4. The Commission has jurisdiction over the subject matter of the application under Section 69-3-102, MCA.

5. Notice of the application was published as a part of the Commission's regular weekly agenda.

6. In Docket No. 87.9.49 the Commission authorized Merging Corp., as successor to Pacific following the proposed merger, to issue debt under the authorization previously granted to Pacific in Docket No. 86.9.49, as well as to assume the outstanding debt obligations of Utah Power and PacifiCorp and continue or incur liens in connection therewith.

7. In Docket No. 88.10.37 the Commission authorized Merging Corp., after the Merger, to incur the lien of a new Mortgage and Deed of Trust and to issue debt pursuant to Sections 69-3-501 through 69-3-507, MCA.

8. The Commission also granted that the existing authority for Pacific to issue debt is to be transferred upon completion of the Merger.

9. The Company proposes to sell, in one or more public offerings or private placements, prior to December 31, 1990, fixed or floating rate debt in the aggregate principal amount of not more than \$450,000,000 or, if the Debt is issued at an original issue discount, such greater amount as shall result in an aggregate offering price of not more than \$450,000,000 (or its equivalent amount in, or based upon foreign currencies determined at the time of issue).

10. The Company proposes to enter into a letter of credit arrangement with one or more banks or such other agreements or arrangements as may be necessary or appropriate to provide additional credit support for the payment of the principal of, the interest on, and the premium (if any) on the Debt.

11. The Company also proposes to enter into one or more currency exchanges to effectively eliminate the currency risk if it issues its Debt denominated in, or based upon, foreign currencies.

12. The types of offerings contemplated by the Company in its application include:

- a. First mortgage bonds placed publicly or privately in the domestic or foreign markets.
- b. Medium-term notes, secured or unsecured, placed publicly or privately in the domestic or foreign markets.
- c. Floating rate debt placed publicly or privately in the domestic or foreign markets.
- d. Eurodollar financings placed publicly or privately in Europe or Japan, perhaps supported by a letter of credit or other arrangement.

- e. Foreign currency offerings combined with a currency exchange.

13. First mortgage bonds have been the traditional debt financing vehicle utilized by utilities in the U.S. First mortgage bonds are secured by a mortgage on the fixed assets of the utility.

14. Medium-term notes are interest bearing instruments with maturities generally ranging between 9 months and 30 years. Medium-term notes are typically offered on a continuous basis by the borrower through one or more managers which act as agents in placing the notes, either domestically or through global programs. Medium-term notes can be offered on an unsecured or secured basis.

15. Floating rate debt is a dollar-denominated security which is typically unsecured, i.e., term loan agreements, with interest rates set on one, two, three or six month intervals at the option of the Company. The most common indices used for pricing are based upon LIBOR and certificates of deposit.

16. Eurodollar financings are dollar-denominated securities issued to foreign investors. These securities are generally placed by a foreign underwriter or a foreign subsidiary of a U.S.

investment or commercial bank. Eurodollar securities are generally unsecured obligations of the borrower. The issuer receives U.S. dollars at the time of issuance and makes all interest and principal payments in dollars. In addition, the Company may be required to support its unsecured debt with a letter of credit from one or more banks or such other agreements or arrangements as may be necessary or appropriate to provide additional credit support for the payment of the principal of, the interest on, and the premium (if any) on the Debt. It is anticipated that the annual fee associated with the credit support arrangement would be 30 to 40 basis points.

17. Foreign currency debt is debt denominated in a currency other than U.S. dollars. The currencies most frequently used by U.S. companies include Swiss Francs, Deutsche Marks, British Sterling, Dutch Guilders, Japanese Yen, European Currency Units (ECU), Canadian Dollars, Australian Dollars and New Zealand Dollars. Underwriters of these securities are similar to the group active in the Eurodollar market.

18. A foreign currency offering involves a degree of risk to a U.S. issuer because changes in the relationship between the value of the U.S. dollar and the foreign currency may increase the ultimate cost of the debt. Currency exchanges allow a party to make a series

of payments in U.S. dollars in exchange for a series of payments in, or based upon, foreign currencies. Combining a foreign currency offering with a currency exchange effectively eliminates the currency risk by providing the issuer a stream of foreign currency payments equal to obligations on the foreign debt.

19. Offering, issuance, and administrative costs are expected to be less than 1.19 percent if first mortgage bonds or floating rate debt is sold. The costs associated with a Eurodollar financing and a foreign currency offering combined with a currency exchange are expected to be no more than 12.194 and 3.194 percent, respectively.

A dollar-denominated foreign offering with a credit support arrangement is expected to have costs no greater than 3.194 percent with an annual fee ranging from 30 to 40 points. Costs of this magnitude are not greater than customary fees for similar services and are reasonable given the cost of rendering the service.

20. The expected results of the offering and sale of the Debt is as follows:

ESTIMATED RESULTS OF THE FINANCING

	<u>Total</u>	<u>Per \$100</u>
Gross Proceeds	\$450,000,000	\$100.000
Less: Underwriting Fees		
Approximately 3%*	<u>\$ 13,500,00</u>	<u>\$ 3.000</u>
Proceeds Payable to Company	\$436,500,000	\$ 97.000
Less: Other Insurance		
Expenses	<u>860,000</u>	<u>0.194</u>
Net Proceeds to Company	\$435,640,000	\$ 96.809

*Assumes the higher level of fees associated with a foreign currency offering combine with a currency exchange.

21. The net proceeds of the issuance will be used to reimburse the Company's treasury for funds expended from income and from other treasury funds that were not derived from the issuance of securities.

The funds to be reimbursed were used in furtherance of one or more of the utility purposes authorized by Section 69-3-501, MCA. To the extent that the funds to be reimbursed were used for the discharge or refunding of obligations, those obligations or their precedents were originally incurred in furtherance of a utility purpose.

22. Issuances of the Debt proposed are part of an overall plan to finance the cost of the Company's facilities taking into consideration prudent capital ratios, earnings coverage tests, and market uncertainties as to the relative merits of the various types of securities the Company could sell.

23. The issuance of an order authorizing the proposed financing does not constitute agency determination/approval of any issuance-related ratemaking issues which issues are expressly reserved until the appropriate proceeding.

CONCLUSIONS OF LAW

1. The proposed issuance of Debt to which the application relates will be for lawful objects within the corporate purposes of the Company. The method of financing is proper.

2. The proposed credit support arrangements and the proposed currency exchanges to effectively eliminate currency risk of a foreign currency offering to which the application relates will be for lawful objects within the corporate purpose of the Company.

3. The application should be approved.

ORDER

IT IS THEREFORE ORDERED by the Commission that:

1. The application of PacifiCorp dba Pacific Power & Light Company, filed on November 30, 1988, for authority for PacifiCorp, or its successor, PC/UP&L Merging Corp., to issue and sell, in one or more public offerings or private placements, prior to December 31, 1990, fixed or floating rate debt in the aggregate principal amount of not more than \$450,000,000 or, if the Debt is issued at an

original issue discount, such greater amount as shall result in an aggregate offering price of not more than \$450,000,00 (or its equivalent amount in, or based upon, foreign currencies determined at the time of issue), pursuant to Sections 69-3-501 through 69-3- 507, MCA, and to use the proceeds for normal utility purposes, is approved.

2. The application of PacifiCorp dba Pacific Power & Light Company for authority for PacifiCorp, or its successor, PC/UP&L Merging Corp., to enter into a letter of credit arrangement with one or more banks or such other agreements or arrangements as may be necessary or appropriate to provide additional credit support for the payment of the principal of, the interest on, and the premium (if any) on the Debt, is approved.

3. The application of PacifiCorp dba Pacific Power & Light Company for authority for PacifiCorp, or its successor, PC/UP&L Merging Corp., to enter into one or more currency exchanges is approved.

4. PacifiCorp dba Pacific Power & Light Company or PC/UP&L Merging Corp. shall file the following as they become available.

- a. The "Report of Securities Issued" required by 18 CFR 34.10.

- b. Verified copies of any agreement entered into in connection with the issuance of Debt pursuant to this Order.
- c. Verified copies of any credit support arrangement entered into pursuant to this Order.
- d. Verified copies of any currency exchange agreements entered into pursuant to this Order.
- e. A verified statement setting forth in reasonable detail the disposition of the proceeds of each offering made pursuant to this Order.

5. Issuance of this Order does not constitute acceptance of PacifiCorp dba Pacific Power & Light Company's exhibits or other material accompanying the application for any purpose other than the issuance of this Order.

6. Approval of the transaction authorized shall not be construed as precedent to prejudice any future action of this Commission.

7. Section 69-3-507, MCA, provides that neither the issuance of securities by PacifiCorp dba Pacific Power & Light Company or PC/UP&L Merging Corp. pursuant to the provisions of this Order, nor any other act or deed done or performed in connection with the issuance, shall be construed to obligate the State of Montana to

pay or guarantee in any manner whatsoever any security authorized, issued, assumed, or guaranteed.

8. This Order shall be effective upon execution.

DONE IN OPEN SESSION at Helena, Montana this 12th day of December, 1988, by a 4 - 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

Clyde Jarvis

John Brian Driscoll

Howard L Ellis

Danny Oberg

ATTEST:

Ann Purcell
Acting Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.